IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

In Re:	)
	)
NATIONWIDE AGRIBUSINESS INSURANCE COMPANY (NAIC #28223)	) **Market Conduction Examination**) **Number 1012-17-TGT**
FARMLAND MUTUAL INSURANCE COMPANY (NAIC #13838)	))

ORDER OF THE DIRECTOR

NOW, on this 31st day of December 2013, Director John M. Huff, after consideration and review of the market conduct examination report of Nationwide Agribusiness Insurance Company (NAIC #28223) (hereafter referred to as "Nationwide Agribusiness"), and Farmland Mutual Insurance Company (NAIC #13838) (hereafter referred to as "Farmland") report number 1012-17-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3) (a)[1], and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation"), does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4).

This order, issued pursuant to §374.205.3(4), §374.280, and §374.046.15. RSMo (Cum. Supp. 2012), is in the public interest.

IT IS THEREFORE ORDERED that Nationwide Agribusiness, Farmland and the Division of Insurance Market Regulation having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that Nationwide Agribusiness and Farmland shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place the Company in full compliance with the requirements in the Stipulation and

1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000 as amended.

the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that Nationwide Agribusiness and Farmland shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of $142,250 payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 31st day of DECEMBER, 2013.

John M. Huff
Director

IN THE DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION STATE OF MISSOURI

RECEIVED
DEC 26 2013
DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

In Re:	)
	)
NATIONWIDE AGRIBUSINESS INSURANCE COMPANY (NAIC #28223)	) **Market Conduction Examination**
FARMLAND MUTUAL INSURANCE COMPANY (NAIC #13838)	) **Numbers 1012-17-TGT**
	)
	)

STIPULATION OF SETTLEMENT AND VOLUNTARY FORFEITURE

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter "the Division"), Nationwide Agribusiness Insurance Company (NAIC #28223) (hereinafter referred to as "Nationwide Agribusiness"), and Farmland Mutual Insurance Company (NAIC #13838) (hereinafter referred to as "Farmland"), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter, "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Nationwide Agribusiness and Farmland have been granted certificates of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Division conducted a Market Conduct Examination of Nationwide Agribusiness and Farmland and prepared report number 1012-17-TGT; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. In 1 instance, Nationwide Agribusiness utilized a form that had been withdrawn from use in Missouri in violation of §287.947.1;[1]

2. In 23 instances, Nationwide Agribusiness failed to adequately document whether the Company or its producers/agents required an answer to an Accord Application question relating to prior declinations and cancellations in violation of §374.205.2 (2) and 20 CSR 300-2.200 (replaced

by 20 CSR 100-8.040);

3. In 50 instances, Nationwide Agribusiness failed to document the underwriting file with the basis for scheduled modification debits or credits applied to policies in violation of §287.950.1, 20 CSR 500-4.100 (7) (D) 1, and 20 CSR 300-2.200 (replaced by 20 CSR 100-8.040);

4. In 27 instances, Nationwide Agribusiness failed to adhere to the rules of the NCCI's Basic Manual in violation of §287.955.1;

5. In 19 instances, Nationwide Agribusiness failed to apply the Second Injury Fund Surcharge rate to premium in violation of §287.310.9;

6. In 47 instances, Nationwide Agribusiness failed to properly apply the Second Injury Fund Surcharge in violation of §287.715.2;

7. In 14 instances, Nationwide Agribusiness failed to apply the Administrative Surcharge rate in violation of §287.716.2;

8. In 2 instances, Nationwide Agribusiness failed to collect the Administrative Surcharge from the policyholder at the same time and in the same manner that premium was collected in violation of §287.717.1;

9. In 57 instances, Nationwide Agribusiness used base rates not on file with the Department in violation of §287.947.1;

10. Nationwide Agribusiness offered a dividend plan to some policyholders and failed to offer a dividend plan to other policyholders in violation of §287.932.1 and 20 CSR 500-6.100 (8);

11. In 28 instances, Farmland failed to adequately document whether the Company or its producers/agents required an answer to an Accord Application question relating to prior declinations and cancellations in violation of §374.205.2 (2) and 20 CSR 300-2.200 (replaced by 20 CSR 100-8.040);

12. In 27 instances, Farmland failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to policies in violation of §287.950.1, 20 CSR 500-4.100 (7) (D) 1, and 20 CSR 300-2.200 (replaced by 20 CSR 100-8.040);

13. In 32 instances, Farmland failed to adhere to the rules of the NCCI's Basic Manual in

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1 All references, unless otherwise noted, are to Missouri Revised Statutes 2000, as amended.

violation of §287.955.1;

14. In 37 instances, Farmland failed to apply the Second Injury Fund Surcharge Rate to premium in violation of §287.310.9;

15. In 23 instances, Farmland failed to apply the Administrative Surcharge rate to premium in violation of §287.716.2;

16. In 14 instances, Farmland failed to collect the Administrative Surcharge from the policyholder at the same time and in the same manner that premium was collected in violation of §287.717.1; and

17. In 23 instances, Farmland used base rates not on file with the Department in violation of §287.947.1.

WHEREAS, the Division, Nationwide Agribusiness and Farmland have agreed to resolve the issues raised in the Market Conduct Examinations as follows:

A. **Scope of Agreement.** This Stipulation of Settlement and Voluntary Forfeiture embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** Nationwide Agribusiness and Farmland agree to take remedial action bringing each into compliance with the statutes and regulations of Missouri and agree to maintain those remedial actions at all times, to reasonably assure that the errors noted in the examination report do not recur. Such remedial actions shall include, but not be limited to, the following:

1. Nationwide Agribusiness and Farmland agree that they will only accept applications for workers compensation insurance coverage in Missouri using the 2010 version of the "Accord Form" (Exhibit A) containing the following verbiage on Question No. 18: "Missouri Applicants – Do not answer this question".

2. Nationwide Agribusiness and Farmland agree that they will send letters to their producers/agents advising them that they may not require a Missouri applicant to answer the above

question No. 18 and that applications received from producers/agents containing an answer to the question will be returned. A copy of each letter shall be maintained by Nationwide Agribusiness and Farmland and shall be made available to the Department in any future examination or investigation.

3. Nationwide Agribusiness and Farmland agree to document in each underwriting file for workers compensation insurance the basis for scheduled modification debits or credits.

4. Nationwide Agribusiness and Farmland agree to review all workers compensation insurance policies with Missouri exposure issued from June 30, 2011 to January 3, 2012 to determine if any policyholders were overcharged. If the policyholder was overcharged, the Company must issue any payments that are due to the policyholder, bearing in mind that an additional payment of nine percent (9%) interest per annum is also required pursuant to §408.020. A letter must be included with the payments, indicating that "as a result of a Missouri Market Conduct examination", it was found that additional payment was owed to the policyholder.

5. Nationwide Agribusiness and Farmland agree to review all workers compensation policies with Missouri exposure issued from June 30, 2011 to January 3, 2012 to determine if the Second Injury Fund is owed additional payments. If the Second Injury Fund is owed additional payments, such payments shall be made to the fund with applicable interest.

6. Nationwide Agribusiness and Farmland agree to file individual rate plans with the Department for all large deductible individual risk policies within 30 days of the effective date of the policy.

7. Nationwide Agribusiness agrees to provide restitution in the amount of $250,000 to be paid to policyholders who were not included in the Company's workers compensation dividend plan during the exam period. The amount of each policyholder's restitution shall be based on the amount of the dividend the policyholder would have received pursuant to the Dividend Distribution Table attached as Exhibit B. The amount of the restitution for those policyholders whose earned premium was below $100,000 shall be based on the amount of the dividend the policyholder would have received pursuant to Exhibit B if their earned premium was between $100,000 and $124,999. If the total restitution for all policyholders, as calculated based on Exhibit B, exceeds $250,000, each

policyholder shall receive a pro rata share of the available $250,000.

8. Nationwide Agribusiness and Farmland agree that in the event they offer any workers compensation insurance policyholders a dividend plan, the dividend plan shall be offered to all workers compensation insurance policyholders.

9. Nationwide Agribusiness and Farmland agree that going forward premium value of the policy shall not be used as a factor in allowing policyholders to participate in any workers compensation dividend plan.

C. **Compliance.** Nationwide Agribusiness and Farmland agree to file documentation with the Division within 120 days of the entry of a final order of all remedial action taken to implement compliance with the terms of this stipulation and to document payment of restitution required by this stipulation.

D. **Voluntary Forfeiture.** Nationwide Agribusiness and Farmland agree, voluntarily and knowingly, to surrender and forfeit the sum of $142,250, such sum payable to the Missouri State School Fund, in accordance with §374.280.

E. **Other Penalties.** The Division agrees that it will not seek penalties against Nationwide Agribusiness and Farmland, other than those agreed to in this Stipulation, for the conduct found in Market Conduct Examinations 1012-17-TGT.

F. **Waivers.** Nationwide Agribusiness and Farmland, after being advised by legal counsel, do hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have otherwise applied to the above referenced Market Conduct Examination.

G. **Changes.** No changes to this stipulation shall be effective unless made in writing and agreed to by all signatories to the stipulation.

H. **Governing Law.** This Stipulation of Settlement and Voluntary Forfeiture shall be governed and construed in accordance with the laws of the State of Missouri.

I. **Authority.** The signatories below represent, acknowledge and warrant that they are

authorized to sign this Stipulation of Settlement and Voluntary Forfeiture.

J. **Effect of Stipulation.** This Stipulation of Settlement and Voluntary Forfeiture shall not become effective until entry of a Final Order by the Director of the Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Director") approving this Stipulation.

K. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation of Settlement and Voluntary Forfeiture and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 12/30/13

Stewart Freilich
Senior Regulatory Affairs Counsel
Division of Insurance Market Regulation

DATED: 12-5-13

President
Nationwide Agribusiness Insurance Company

DATED: 12-5-13

President
Farmland Mutual Insurance Company

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

FINAL MARKET CONDUCT EXAMINATION REPORT
of the Property and Casualty Business of

Nationwide Agribusiness and Farmland Mutual Insurance Group
NAIC Group #0140
Nationwide Agribusiness Insurance Company
NAIC #28223
Farmland Mutual Insurance Company
NAIC #13838

MISSOURI EXAMINATION # 1012-17-TGT

NAIC EXAM TRACKING SYSTEM # MO341-M18

December 30, 2013

Nationwide Agribusiness and Farmland Mutual Insurance Group
One Nationwide Plaza
Columbus, Ohio 43065

TABLE OF CONTENTS

FOREWORD 3

SCOPE OF EXAMINATION 4

COMPANY PROFILE 5

EXECUTIVE SUMMARY 6

EXAMINATION FINDINGS 8

I. UNDERWRITING AND RATING PRACTICES 8

A. Forms and Filings 9
B. Nationwide Agribusiness Insurance Company 9
Workers' Compensation Policies
C. Farmland Mutual Insurance Company 19
Workers' Compensation Policies
D. Declinations 25

II. CRITICISMS AND FORMAL REQUESTS TIME STUDY 26

A. Criticism Time Study 26
B. Formal Request Time Study 26

EXAMINATION REPORT SUBMISSION 27

FOREWORD

This is a targeted market conduct examination report of Nationwide Agribusiness Insurance Company (NAIC Code #28223) and Farmland Mutual Insurance Company (NAIC Code #13838). This examination was conducted at the Missouri Department of Insurance, Financial Institutions, and Professional Registration's Kansas City office at 615 East 13th Street, Room 510, Kansas City, Missouri 64106.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" refers to Nationwide Agribusiness Insurance Company and Farmland Mutual Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "NWAIC" refers to Nationwide Agribusiness Insurance Company;
- "FMIC" refers to Farmland Mutual Insurance Company;
- "NAIC" refers to the National Association of Insurance Commissioners;
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2006 through June 30, 2011 unless otherwise noted. Errors outside of this time period discovered during the course of the examination may also be included in the report.

The examination included a review of the following areas of the Company's operations for the lines of business reviewed:

Workers' Compensation Underwriting, Rating, and Policyholder Services.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook.* As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). *Note: As Workers' Compensation laws do not apply a general business practice standard, no error rates were contemplated in these reviews.*

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following two company profiles were provided to the examiners by the Company.

Nationwide Agribusiness Insurance Company

Home office and principal executive office address:

1100 Locust Street
Des Moines, Iowa 50391

Nationwide Agribusiness Insurance Company became a part of the insurance holding company system on August 31, 1982. Nationwide Agribusiness Insurance Company was organized on December 10, 1973 in the State of Iowa, and was previously owned by Farmland Life Insurance Company. In December 1994, all of the outstanding common stock, except for directors' qualifying shares, of Nationwide Agribusiness Insurance Company was transferred to Nationwide Mutual Insurance Company. In 2004, Nationwide Agribusiness Insurance Company redeemed all directors' qualifying shares and Nationwide Mutual Insurance Company is its sole shareholder.

Farmland Mutual Insurance Company

Home office and principal executive office address:

1100 Locust Street
Des Moines, Iowa 50391

Farmland Mutual Insurance Company became a part of the insurance holding company system on August 31, 1982. Farmland Mutual Insurance Company was organized in 1909 in the State of Iowa under The name "Farmers Elevator Insurance Company." In August 1982, Nationwide Mutual Insurance Company purchased from Farmland Industries, Inc. a Guaranty Fund Certificate and Surplus Advance Certificate issued by Farmland Mutual Insurance Company on February 28, 1966 and August 13, 1968, respectively, which purchase entitled Nationwide Mutual Insurance Company to elect one-third of the members of the Board of Directors of Farmland Mutual Insurance Company.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of the Nationwide Agribusiness Insurance Company (NWAIC) and Farmland Mutual Insurance Company (FMIC). The examiners found the following principal areas of concern:

The examiners discovered the following errors regarding the Nationwide Agribusiness Workers' Compensation Underwriting and Rating Practices reviews:

- The examiners found one instance where the Company utilized a form that had been withdrawn from use in the State of Missouri.
- The examiners found 23 instances where the Company failed to document whether the Company or its producers/agents required applicants to answer the question regarding an applicant's prior coverage being declined, cancelled, or non-renewed.
- The examiners found 50 instances where the Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to policies.
- The examiners found 27 instances where the Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual.
- The examiners found 19 instances where the Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders and incorrect payments to the Second Injury Fund.
- The examiners found 47 instances where the Company failed to apply the Second Injury Fund Surcharge properly resulting in incorrect charges to the insured and incorrect payments to the Second Injury Fund.
- The examiners found 14 instances where the Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to the insured.
- The examiners found two instances where the Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium was collected.
- The examiners found 57 instances where the Company used base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured.
- The examiners found 112 instances where the Company unfairly discriminated between policyholders in their handling of dividend calculations and payments.

The examiners discovered the following regarding the Farmland Mutual Workers' Compensation Underwriting and Rating Practices reviews:

- The examiners found 28 instances where the Company failed to document whether the Company or its producers/agents required applicants to answer the question regarding an applicant's prior coverage being declined, cancelled, or non-renewed.
- The examiners found 27 instances where the Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to policies.
- The examiners found 32 instances where the Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual.
- The examiners found 37 instances where the Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders and incorrect payments to the Second Injury Fund.
- The examiners found 23 instances where the Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders.
- The examiners found 14 instances where the Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium was collected.
- The examiners found 23 instances where the Company used base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured.

Examiners requested that the Company make refunds concerning underwriting premium overcharges found for amounts greater than $5.00 during the examination. Regarding Nationwide Agribusiness, the examiners found 29 files with refunds to policy holders amounting to $16,879.00 plus $2,660.08 in interest, for restitution totaling $19,539.08. Concerning Farmland Mutual, the examiners found nine files with refunds to policyholders amounting to $1,091.00, plus $293.26 in interest, for restitution totaling $1,380.26. The total restitution regarding both companies concerning this examination, amounted to $20, 919.34.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for the jurisdictions should be addressed.

The examiners tracked and were mindful of the results, Company responses and public disciplinary action(s) of prior examinations concerning the Nationwide Agribusiness Insurance Company and Farmland Mutual Insurance Company. The DIFP examination

tracking system indicated no market conduct examinations had been performed for either company.

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the small number of policy/underwriting files in the sample, the examiners reviewed the entire census in conducting their compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and 375.445, RSMo.) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general business practice contrary to the law. As Workers' Compensation laws do not apply a general business practice standard, no error rates were contemplated in these reviews.

The examiners requested the Company underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners reviewed all Missouri files from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect those insured.

The examiners discovered one policy which included a form that had been withdrawn from use in Missouri. The Pending Rate Change (WC 00 04 04) was withdrawn effective 1/1/2008 because Missouri's "Use and File" law doesn't allow companies to change rates after a policy is issued and its contractual term and conditions are accepted by the insured. This multistate policy was manually issued and the endorsement was added with no indication of what states applied. The examiners found no evidence of this withdrawn form in use on other files reviewed.

Policy Number:

WCC850393A

Reference: §287.947.1 RSMo and NCCI Circular – Item 05 – MO – 2007.

The examiners discovered that while rate filings were submitted and approved by the DIFP, the Company frequently used rates that were not filed. This practice resulted in undercharges and overcharges to Missouri policyholders, as evidenced in the Nationwide Agribusiness Insurance Company underwriting and rating practices (section B.3.) and Farmland Mutual Insurance Company underwriting and rating practices (section C. 8.) findings of the report. The examiners also discovered that the Company failed to make filings for Individual Risk /Large Deductible Pricing as required.

B. Nationwide Agribusiness Insurance Company Underwriting and Rating Practices

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

Underwriting and Rating Practices:

Field Size:	115
Sample Size:	115
Type of Sample:	Census
Number of Files with Errors:	23
Error Ratio:	20.0%

The examiners found that the Company accepted applications that included an answer to the question regarding an applicant's prior coverage being declined,

cancelled, or non-renewed in the following 23 files. The examiners were unable to ascertain from the documentation in the files whether the Company or its producers/agents required an answer to the question in violation of Missouri's Unfair Trade Practices Act.

Policy Number:	Policy Number:
WCC105285A	WCC105663A
WCC106148A	WCC106288A
WCC106748A	WCC107335A
WCC107414A	WCC107737A
WCC104183A	WCC100496A
WCC104942A	WCC111299A
WCC112039A	WCC114809A
WCC118956A	WCC121167A
WCC122035A	WCC121837A
WCC121421A	WCC121940A
WCC121663A	WCC122337A
WCC122681A	

Reference: §374.205.2 (2), RSMo, 20 CSR 300-2.200 (replaced by 20 CSR 100-8.040).

1. The examiners found that the Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to the following 50 policies, resulting in rates that were excessive, inadequate or unfairly discriminatory. In some instances, the Company changed scheduled modifications from year to year without documenting a material change in the risk.

Policy Number:	Policy Number:
WCC105356A	WCC105663A
WCC106263A	WCC106288A
WCC107272A	WCC107737A
WCC100075A	WCC100474A
WCC100496A	WCC101615A
WCC105180A	WCC111299A
WCC113025A	WCC114809A
WCC116910B	WCC118956A
WCC121167A	WCC121170A
WCC121320A	WCC121837A
WCC121421A	WCC121940A
WCC121979A	WCC121663A
WCC122035A	WCC122337A

Policy Number:	Policy Number:
WCC122490A	WCC122681A
WCC123035A	WCC123189A
WCC124463A	WCC124682A
WCC123294A	WCC123248A
WCC123343A	WCC123426A
WCC123722A	WCC125307A
WCC125816A	WCC126092A
WCC126173A	WCC131341A
WCC500010A	WCC500137A
WCC500255A	WCC500339A
WCC500343A	WCC850380A
WCC850393A	WCC850429A

Reference: §287.950.1 RSMo, 20 CSR 500-4.100(7)(D)1., and 20 CSR 300-2.200 [as replaced by 20 CSR 100-8.040].

2. The Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual by not following the algorithm set out by NCCI, utilizing improper hazard codes, and/or selecting improper rating factors in their calculations of premium in the following 27 files. Note: Some premium over and undercharges were accounted for in other sections of the report, where applicable, to avoid duplication.

Policy Number:	Premium Overcharge:	Interest:	Total Restitution	Premium Undercharge:
WCC105285A	--			--
WCC101410A	--			--
WCC104183A				$2.00
WCC100075A	$77.00	$5.98	$82.98	
WCC100474A				$195.00
WCC100494A	$1,596.00		$1,596.00	
WCC100496A				$107.00
WCC101615A	$111.00	$11.99	$122.99	
WCC105180A	$160.00	$9.22	$169.22	
WCC107943A	$5,210.00	$1,097.21	$6,307.21	
WCC108068A				$59.00
WCC108155A				$7,031.00
WCC105199A	$196.00	$35.82	$231.82	
WCC121837A				$747.00
WCC121940A				$320.00
WCC121979A				$435.00
WCC122021A				$723.00
WCC122035A				$2,504.00

Policy Number:	Premium Overcharge:	Interest:	Total Restitution	Premium Undercharge:
WCC122490A				$173.00
WCC128041A				$28.00
WCC123248A				$1,716.00
WCC123991A				$10.00
WCC500010A				$4.00
WCC500137A	$35.00	$14.18	$49.18	
WCC856309A				$179.00
WCC858013A				$1,246.00
WCC959090A				$173.00

Reference: §287.955.1 RSMo, Basic Manual (2001 MO) – Miscellaneous Rules: Missouri Workers' Compensation Premium Algorithm.

3. The examiners found that the Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges and payments to the Second Injury Fund in the following 19 files. In calculating the surcharge owed, the premiums upon which the taxes are assessed are those that would have been paid in the absence of the deductible option. Note: No overcharges resulted in refunds to the policyholder in this section of the report. The overcharges were absorbed by an overall policy premium undercharge or included in another review listed in this report.

Policy Number:	Amount of Overcharge	Amount of Undercharge
WCC105285A		$277.00
WCC107335A		$33.00
WCC107737A		$197.00
WCC101410A (2010)		$119.00
WCC101410A (2009)		$13.00
WCC100075A	$76.00	
WCC100474A	$280.00	
WCC100494A	$1,451.00	
WCC100496A		$110.00
WCC101615A	$111.00	
WCC105180A	$15.00	
WCC107943A	$151.00	
WCC108068A	$81.00	
WCC108155A		$476.00
WCC111299A	$19.00	
WCC123248A	$24.00	
WCC123343A	$25.00	

Policy Number:	Amount of Overcharge	Amount of Undercharge
WCC850238A		$43.00
WCC858013A	$513.00	

Reference: §287.310.9 RSMo.

4. The examiners found that the Company failed to apply the Second Injury Fund Surcharge properly resulting in incorrect charges to the insured in the following 47 files. In some instances the surcharge was applied at the wrong point in the algorithm. In other instances the wrong surcharge percentage was applied. Note: Not all overcharges resulted in refunds to the policyholder. Some overcharges were absorbed by an overall policy premium undercharge and therefore, no interest or restitution amount was noted.

Policy Number:	Amount of Overcharge	Interest	Total Restitution	Amount of Undercharge
WCC105663A	$37.00			
WCC106148A	$626.00	$44.15	$670.15	
WCC106288A	$15.00			
WCC116910B				$162.00
WCC118956A				$116.00
WCC121170A	$290.00			
WCC121837A				$22.00
WCC121940A	$9.00			
WCC121979A				$21.00
WCC121663A	$212.00			
WCC122021A				$21.00
WCC122035A				$73.00
WCC122490A				$5.00
WCC124463A	$597.00	$81.27	$678.27	
WCC124682A	$42.00	$2.30	$44.30	
WCC129015A	$63.00	$5.13	$68.13	
WCC130105A	$35.00	$3.11	$38.11	
WCC130959A	$97.00			
WCC125307A				$167.00
WCC125513A				$26.00
WCC125816A	$17.00			
WCC126026A	$1,225.00			
WCC126092A	$237.00			
WCC131341A	$38.00	$3.74	$41.74	
WCC500010A	$2.00			
WCC500255A	$148.00			
WCC500339A	$23.00			

Policy Number:	Amount of Overcharge	Interest	Total Restitution	Amount of Undercharge
WCC500343A	$34.00			
WCC850380A	$46.00			
WCC850393A	$18.00			
WCC850429A	$1,083.00			
WCC850470A (2009)				$31.00
WCC850470A (2010)				$164.00
WCC850509B (2009)	$27.00			
WCC850509B (2010)	$650.00			
WCC131184A	$34.00			
WCC500418A	$395.00	$56.50	$451.50	
WCC500432A	$86.00	$10.39	$96.39	
WCC500697A	$140.00			
WCC500854A				$19.00
WCC500884A	$17.00		$17.00	
WCC500905A	$127.00			
WCC501053A	$34.00			
WCC501373A	$43.00	$1.96	$44.96	
WCC850079A	$59.00			
WCC856309A	$214.00			
WCC959090A	$96.00			

Reference: §287.715.2. RSMo.

5. The examiners found that the Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to the insured in the following 14 files. In calculating the surcharge owed, the premiums upon which the surcharge is assessed are those that would have been paid in the absence of the deductible option. Note: Not all overcharges resulted in refunds to the policyholder as restitution. Some overcharges were absorbed by an overall policy premium undercharge and therefore, no interest or restitution amount was noted. The undercharge amounts not noted, were listed in other areas of the report.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC107335A	$4.00			
WCC101410A	$2.00			

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC100496A	$4.00			
WCC107943A	$260.00			
WCC108155A				$9.00
WCC105199A	$195.00			
WCC116910B	$59.00			
WCC121421A	$133.00	$35.52	$168.52	
WCC123343A				$36.00
WCC126173A	$46.00	$7.03	$53.03	
WCC500010A				$2.00
WCC850238A				$4.00
WCC858013A	$24.00			
WCC959090A	$23.00			

Reference: §287.716.2 RSMo.

6. The examiners found that the Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium was collected in the following two files.

Policy Number:
WCC123343A
WCC500010A

Reference: §287.717.1 RSMo.

7. The examiners found that the Company utilized base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured in the following 57 files. In some instances, the Company failed to submit an individual risk filing for the large deductible rating plan to the DIFP to provide an explanation of the non-standard methodology by which the premium was calculated. Note: not all overcharges resulted in refunds to the policyholder as restitution. Some overcharges were absorbed by an overall policy premium undercharge and therefore, no interest or restitution amount was noted. The undercharge amounts not noted, were listed in other areas of the report.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC105285A (2009)				$9,417.00

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC105663A (2009)				$1,104.00
WCC106288A (2009)				$918.00
WCC107335A (2010)				$1,510.00
WCC107619A (2007)	$62.00	$24.57	$86.57	
WCC107737A (2009)				$1,661.00
WCC101410A (2009)				$487.00
WCC101410A (2010)				$4,333.00
WCC105180A (2009)	--			--
WCC107943A (2008)	--			--
WCC108155A (2009)	--			--
WCC111299A (2009)				918.00
WCC112039A (2009)				$1,433.00
WCC116910B (2008)	$372.00	$107.70	$479.70	
WCC116910B (2009)				$288.00
WCC118956A (2009)				$2,474.00
WCC121170A (2009)				$1,104.00
WCC121320A (2008)	$226.00	$65.48	$291.48	
WCC121837A (2008)	--			--
WCC121421A (2009)				$537.00
WCC121940A (2008)	--			--
WCC121979A (2008)	--			--
WCC121663A (2009)				$1,140.00
WCC127628A (2008)				$284.00
WCC123343A (2008)	$104.00	$31.08	$135.08	
WCC123343A (2010)				$8,153.00
WCC130959A (2010)				$401.00
WCC123426A (2008)				$128.00
WCC123722A (2008)				$58.00
WCC123755A (2010)				$1,191.00
WCC123820A (2009)				$867.00
WCC125307A (2010)				$13,773.00
WCC125513A (2010)				$908.00
WCC125816A (2008)	$481.00	$126.21	$607.21	
WCC126026A (2009)	$4,895.00	$770.13	$5,665.13	
WCC126092A (2009)				$820.00
WCC127355A (2009)				$1,345.00
WCC500255A (2009)				$775.00
WCC500339A (2009)				$539.00
WCC500343A (2009)				$429.00
WCC850114A (2010)				$38.00
WCC850238A (2009)				$1,261.00
WCC850380A (2010)				$230.00
WCC850393A (2009)				$410.00

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC850429A (2009)				$5,689.00
WCC850470A (2009)				$1,040.00
WCC850470A (2010)				$5,633.00
WCC850509B (2009)				$151.00
WCC858509B (2010)				$3,449.00
WCC500697A (2009)	--			--
WCC500854A (2009)				$2,539.00
WCC500905A (2009)	--			--
WCC501053A (2009)				$423.00
WCC850079A (2009)				$314.00
WCC858083A (Large Deductible 2009)	--			--
WCC858083A (Large Deductible 2010)	--			--
WCC959090A (2009)	--			--

Reference: §287.947.1 RSMo, Company Rate Filings, and DIFP Bulletin 02-01.

8. The Company utilized unfair discrimination between policyholders in their handling of dividend calculations and payments on the following 112 files. The examiners requested that the Company implement a procedure to make the dividend plan valuation and payment process consistent and fair to all policyholders.

Policy Number	Policy Number
WCC100075A	WCC123991A
WCC100474A	WCC124201A
WCC100494A	WCC124206A
WCC100496A	WCC124463A
WCC101410A	WCC124549B
WCC101615A	WCC124682A
WCC104942A	WCC125243A
WCC105180A	WCC125307A
WCC105199A	WCC125513A
WCC105285A	WCC125816A
WCC105356A	WCC126026A
WCC105663A	WCC126092A
WCC106263A	WCC126173A
WCC106288A	WCC127355A
WCC106748A	WCC127628A

Policy Number	Policy Number
WCC107272A	WCC128041A
WCC107335A	WCC128140A
WCC107414A	WCC128930A
WCC107619A	WCC129015A
WCC107737A	WCC130105A
WCC107943A	WCC130959A
WCC108068A	WCC131098A
WCC108155A	WCC131184A
WCC111299A	WCC131286A
WCC112039A	WCC131341A
WCC112039B	WCC131786A
WCC113025A	WCC330235A
WCC118956A	WCC500137A
WCC121167A	WCC500255A
WCC121170A	WCC500339A
WCC121242A	WCC500343A
WCC121320A	WCC500382A
WCC121421A	WCC500418A
WCC121663A	WCC500432A
WCC121837A	WCC500697B
WCC121940A	WCC500854A
WCC121979A	WCC500884B
WCC122021A	WCC500905A
WCC122035A	WCC501053A
WCC122337A	WCC501373A
WCC122490A	WCC850294A
WCC122681A	WCC850380A
WCC123035A	WCC850393A
WCC123189A	WCC850406A
WCC123204A	WCC850429A
WCC123248A	WCC850509B
WCC123343A	WCC850594A
WCC123426A	WCC851025A
WCC123722A	WCC856119A
WCC123752A	WCC856309A
WCC123755A	WCC858013A
WCC123820A	WCC858083B
WCC859121A	WCC859090A
WCC106148A	WCC114809A

Policy Number	Policy Number
WCC116910B	WCC330239A
WCC500010A	WCC850238A

Reference: §287.932.1, RSMo and 20 CSR 500-6.100 (8).

C. Farmland Mutual Insurance Company Underwriting and Rating Practices

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

Underwriting and Rating Practices:

Field Size:	75
Sample Size:	75
Type of Sample:	Census
Number of Files with Errors:	28
Error Ratio:	37.3%

The examiners found that the Company accepted applications that included an answer to the question regarding an applicant's prior coverage being declined, cancelled, or non-renewed in the following 28 files. The examiners were unable to ascertain from the documentation in the files whether the Company or its producers/agents required an answer to the question in violation of Missouri's Unfair Trade Practices Act.

Policy Number:	Policy Number:
WCC111299A	WCC112039A
WCC123035A	WCC105424A
WCC107527A	WCC110356A
WCC11591A	WCC111717A
WCC118659A	WCC121095A
WCC121167A	WCC121837A
WCC117476A	WCC121111A
WCC121507A	WCC122021A
WCC125243A	WCC126071A
WCC128621A	WCC500418A
WCC858083B	WCC118956A
WCC120480A	WCC859090A
WCC122771B	WCC123134A
WCC128595A	WCC500697B

Reference: §374.205.2 (2), RSMo, 20 CSR 300-2.200 (replaced by 20 CSR 100-8.040).

1. The examiners found that the Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to the following 27 policies, resulting in rates that were excessive, inadequate or unfairly discriminatory. In some instances, the Company changed scheduled modifications from year to year without documenting a material change in the risk.

Policy Number:	Policy Number:
WCC0809912	WCC101629A
WCC105180A	WCC105395A
WCC105431A	WCC106513A
WCC123035A	WCC105424A
WCC105437A	WCC106023A
WCC106288A	WCC108155A
WCC0809187	WCC0810227
WCC107527A	WCC108869A
WCC107430A	WCC108589A
WCC111591A	WCC113836A
WCC117476A	WCC130337A
WCC108355A	WCC108487A
WCC120480A	WCC123873A
WCC128595A	

Reference: §287.950.1 RSMo, 20 CSR 500-4.100(7)(D)1., and 20 CSR 300-2.200 [as replaced by 20 CSR 100-8.040].

2. The Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual by not following the algorithm set out by NCCI, utilizing improper hazard co des, and/or selecting improper rating factors in their calculations of premium in the following 32 files. Note: Not all overcharges resulted in refunds to the policyholder as restitution. Some overcharges were absorbed by an overall policy premium undercharge and therefore, no interest or restitution amount was noted. The undercharge amounts not noted, were listed in other areas of the report.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC0809912				$448.00
WCC105431A	$33.00	$8.02	$41.02	
WCC105689A				$47.00
WCC111299A				$85.00

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC112039A	$154.00	$6.04	$160.04	
WCC123035A	$115.00	$4.48	$119.48	
WCC101410A				$214.00
WCC103725A				$1,133.00
WCC105285A				$3,571.03
WCC105424A				$36.00
WCC105437A				$5.00
WCC106023A				$1,023.00
WCC106656A				$54.00
WCC108155A				$8,937.00
WCC107430A	$33.00	$4.36	$16.36	
WCC108589A				$55.00
WCC110356A				$27.00
WCC111591A				$6.00
WCC111717A	$44.00	$10.06	$54.06	
WCC113836A				$6.00
WCC121167A				$18.00
WCC117476A				$225.00
WCC121507A	$42.00	$18.91	$60.91	
WCC130337A				$21.00
WCC108355A				$272.00
WCC500418A	--			--
WCC859090A				$7,566.00
WCC123873A	$644.00	$233.29	$877.29	
WCC138595A				$130.00
WCC130966A				$50.00
WCC500697B				$543.00
WCC123820A	$21.00		$21.00	

Reference: §287.955.1 RSMo, Basic Manual (2001 MO) – Miscellaneous Rules: Missouri Workers' Compensation Premium Algorithm.

3. The examiners found that the Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges and payments to the Second Injury Fund in the following 37 files. In calculating the surcharge owed, the premiums upon which the taxes are assessed are those that would have been paid in the absence of the deductible option. Note: Not all overcharges resulted in refunds to the policyholder. Some overcharges were absorbed by an overall policy premium undercharge.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC0809123	$3.00			
WCC0809912				$7.00
WCC105395A				$2.00
WCC105431A	$1.00			
WCC105689A				$3.00
WCC106202A				$28.00
WCC111299A	$28.00	$2.53	$30.53	
WCC101410A				$1.00
WCC103725A	$4.00			
WCC105285A	$13.00	$3.40	$16.40	
WCC105424A	$27.00	$9.18	$36.18	
WCC106023A				$34.00
WCC106288A	$2.00			
WCC106656A				$2.00
WCC108155A				$323.00
WCC0810227	$1.00			
WCC107527A (2008)				$63.00
WCC107527A (2009)				$208.00
WCC111706A (2008)				$16.00
WCC111706A (2009)				$18.00
WCC107430A	$12.00			
WCC110356A				$1.00
WCC111717A	$2.00			
WCC113836A				$5.00
WCC121095A				$353.00
WCC121167A				$1.00
WCC117476A				$9.00
WCC108487A (2008)				$34.00
WCC108487A (2009)				$76.00
WCC500418A				$76.00
WCC858083B				$1,056.00
WCC120480A				$440.00
WCC859090A				$319.00
WCC123873A				$45.00
WCC128595A				$110.00
WCC130966A	$14.00			
WCC500697B	$105.00			

Reference: §287.310.9 RSMo.

4. The examiners found that The Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to the insured in the following 23 files. In calculating the surcharge owed, the premiums upon which the surcharge is assessed are those that would have been paid in the absence of the deductible option. Note: Not all overcharges resulted in refunds to the policyholder. Some overcharges were absorbed by an overall policy premium undercharge.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC101629A				$1.00
WCC105180A				$1.00
WCC105395A				$2.00
WCC105431A				$3.00
WCC105689A				$1.00
WCC111299A				$1.00
WCC101410A				$6.00
WCC103725A				$9.00
WCC105285A				$41.00
WCC105437A				$5.00
WCC106023A	$129.00	$20.87	$149.87	
WCC106288A				$4.00
WCC108155A	$71.00	$0.23	$71.23	
WCC107527A	$18.00			
WCC111706A	$52.00			
WCC108589A				$1.00
WCC111591A				$6.00
WCC111717A				$2.00
WCC117476A	$3.00			
WCC108487A	$134.00			
WCC500418A	$22.00			
WCC858083B				$6.00
WCC859090A				$319.00

Reference: §287.716.2 RSMo.

5. The examiners found that the Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium was collected in the following 14 files.

Policy Number:	Policy Number:
WCC101629A	WCC105395A
WCC105431A	WCC105689A
WCC111299A	WCC101410A
WCC103725A	WCC105285A
WCC105437A	WCC106288A
WCC108589A	WCC111591A
WCC111717A	WCC117476A

Reference: §287.717.1 RSMo.

6. The Company utilized base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured in the following 23 files. In some instances, the Company failed to submit an individual risk filing for the large deductible rating plan to the DIFP to provide an explanation of the non-standard methodology by which the premium was calculated. Note: Not all overcharges resulted in refunds to the policyholder as restitution. Some overcharges were absorbed by an overall policy premium undercharge and therefore, no interest or restitution amount was noted. The undercharge amounts not noted, were listed in other areas of the report.

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC105180A (2009)				$355.00
WCC106202A (2009)				$1,049.00
WCC107527A (2008)				$1,895.00
WCC107527A (2009)				$2,161.00
WCC111706A (2008)				$479.00
WCC111706A (2009)				$620.00
WCC121095A (Large deductible)	--			--
WCC122021A (2009)				$1,532.00
WCC125243A (2010)				$204.00
WCC 128621A (2009)				$1,005.00
WCC1289621A (2010)				$255.00
WCC130337A (2009)				$186.00
WCC108355A (2009)				$605.00

Policy Number:	Amount of Overcharge:	Interest:	Total Restitution:	Amount of Undercharge:
WCC108487A (2009)				$882.00
WCC109943A (2009)				$538.00
WCC500418A (2010)				$7,221.00
WCC858083B (Large deductible 2009)	--			--
WCC858083B (Large deductible 2010)	--			--
WCC858083B (2009)				$1,550.00
WCC120480A (2009)				$3,486.00
WCC859090A (2009)	--			--
WCC500697B (2009)	--			--
WCC123820A (2008)	--			--

Reference: §287.947.1 RSMo, Company Rate Filings, and DIFP Bulletin 02-01.

D. Review of Declinations

The Company had accepted applications that included answers to the question prohibited by Missouri law, with regard to prior policy declination, cancellation or non-renewal in other policy file reviews. As a result, the examiners conducted a review of all policy file applications which the Company declined to offer a quotation that fell within the examination period, to ensure there was no consumer harm. There were a total of 18 files reviewed. Of those files, there were four applications discovered that documented an answer to the prohibited question. Further review of the declined policy application files, revealed that the underwriting reasons for declination of the risks were justified, and not based on the prohibited question being answered. The examiners found no further issues or concerns with the handling of declinations than what was previously discovered in the other reviews.

II. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

Calendar Days	Number of Criticisms	Percentage
Received within the time limit including any extensions:	159	98.1%
Received outside time limit including any extensions:	3	1.9%
No response:	0	0.0%
Total:	162	100.0%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040

B. Formal Request Time Study

Calendar Days	Number of Formal Requests	Percentage
Received within the time limit including any extensions:	2	100.0%
Received outside time limit including any extensions:	0	0.0%
No response:	0	0.0%
Total:	2	100.0%

Reference: §374.205.2(2), RSMo, and 20 CSR 100-8.040

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of Nationwide Agribusiness Insurance Company (NAIC #28223), and Farmland Mutual Insurance Company (NAIC #13838) Examination Number 1012-17-TGT. This examination was conducted by Scott B. Pendleton, Dennis R. Foley, and Christine L. Donner. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated December 1, 2011. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

12/30/2013

Jim Mealer — Date
Chief Market Conduct Examiner

Company Response To Missouri Market Conduct Examination Report
For
Nationwide Agribusiness Insurance Company
Farmland Mutual Insurance Company
December 25, 2013

A. FORMS AND FILINGS

1. **One policy included a form that had been withdrawn from use in Missouri.**

   Company Response: The Company agrees with this finding.

B. NATIONWIDE AGRIBUSINESS INSURANCE COMPANY UNDERWRITING AND RATING PRACTICES

1. **Company accepted applications that included an answer to the prohibited question regarding an applicant's prior coverage being declined, cancelled, or non-renewed.**

   Company Response: The Company agrees that it did not adequately document whether its producers/agents required an answer to an Accord Application question relating to prior declinations and cancellations. Further, in 2012, the Company advised agents that it no longer will accept non-compliant Accord Applications nor require a Missouri applicant to answer the question relating to prior policy declinations, nonrenewals and cancellations, and that an application containing an answer to that question will be returned. Further, the Company has instructed our underwriters who receive an application with a Missouri location that they need to review that question and ask for a revised application, if answered.

2. **The Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to policies.**

   Company Response: The Company agrees with this finding and has implemented training and guidance procedures to require appropriate documentation.

3. **The Company failed to adhere to the rules of the National Council on Compensation Insurance Basic Manual.**

   Company Response: The Company agrees with this finding. In the first quarter of 2010, the Company moved to an automated rating system, where the policy premium is calculated according to the Missouri workers compensation rating algorithm using exposures, class codes, coverages and other details that the user enters. This process removes individual user manual entry for rates and factors. Changes in the Missouri workers compensation rating algorithm are updated accordingly in the rating system. With each annual rate filing/change

and regulatory change, the Company reviews system updates sent by the rating system vendor for accuracy and will continue to do so.

4. **The Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders and incorrect payments to the Second Injury Fund.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

5. **The Company failed to apply the Second Injury Fund Surcharge properly resulting in incorrect charges to the insured and incorrect payments to the Second Injury**

   Fund.

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

6. **The Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in absence of the deductible, resulting in incorrect charges to the insured.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

7. **The Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium as collected.**

   Company Response: The Company agrees to this finding.

8. **The Company used base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

9. **The Company failed to offer a dividend plan to other policyholders, unfairly discriminated between policyholders in their handling of dividend calculations and payments.**

Company Response: Nationwide Agribusiness Insurance Company received approval from the Department of Insurance for Missouri Workers Compensation Variable Dividend Plan 4 under Company Filing Number 14028223/99/0413. In order to qualify for the Workers Compensation Variable Dividend Plan 4, insureds were required to meet a premium requirement of $100,000 to reflect their expected risk management practices. The Company has communicated and implemented a process where all files meeting the plan's eligibility and qualification requirements for calculation and payment will have the dividend plan applied to their account and will have the dividend calculated and paid according to the plan. Further, the Company has instituted procedures to ensure that the dividend plan evaluation and payment procedure will be consistent and fair to all policyholders. The Company withdrew the above dividend plan in August, 2013.

C. FARMLAND MUTUAL INSURANCE COMPANY UNDERWRITING AND RATING PRACTICES

1. **The Company accepted applications that included an answer to the prohibited question regarding an applicant's prior coverage being declined, cancelled, or non-renewed.**

   Company Response: The Company agrees that it did not adequately document whether its producers/agents required an answer to an Accord Application question relating to prior declinations and cancellations. Further, in 2012, the Company advised agents that it no longer will accept non-compliant Accord Applications nor require a Missouri applicant to answer the question relating to prior policy declinations, nonrenewals and cancellations, and that an application containing an answer to that question will be returned. Further, the Company has instructed our underwriters who receive an application with a Missouri location that they need to review that question and ask for a revised application, if answered.

2. **The Company failed to document the underwriting file with the basis for the scheduled modification debits or credits applied to policies.**

   Company Response: The Company agrees with this finding and has implemented training and guidance procedures to require appropriate documentation.

3. **The Company failed to adhere to the rules of the National Council on Compensation Insurance (NCCI)'s Basic Manual by not following the algorithm set out by NCCI, utilizing improper hazard codes, and/or selecting improper rating factors in their calculation of premium.**

   Company Response: The Company agrees with this finding. In the first quarter of 2010, the Company moved to an automated rating system, where the policy premium is calculated

according to the Missouri workers compensation rating algorithm using exposures, class codes, coverages and other details that the user enters. This process removes individual user manual entry for rates and factors. Changes in the Missouri workers compensation rating algorithm are updated accordingly in the rating system. With each annual rate filing/change and regulatory change, the Company reviews system updates sent by the rating system vendor for accuracy and will continue to do so.

4. **The Company failed to apply the Second Injury Fund Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders and incorrect payments to the Second Injury Fund.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

5. **The Company failed to apply the Administrative Surcharge rate to the premium that would have been paid in the absence of the deductible, resulting in incorrect charges to policyholders.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.

6. **The Company failed to collect the Administrative Surcharge from the deductible plan policyholder at the same time and in the same manner that the premium was collected.**

   Company Response: The Company agrees with this finding.

7. **The Company used base rates not on file with the Department of Insurance and did not submit a filing within 30 days after the effective date of the policy, resulting in improper premium charges to the insured.**

   Company Response: The Company agrees with this finding. Appropriate restitution on the files examined has been paid with interest.